



Monthly Bulletin

Volume 7, Number 3

September, 2003

Managing Commercial Real Estate Concentrations

A message from the Chief State Examiner, David Scott

Ten years ago today we were wrapping up the final documentation from the failure of Maritime Bank of California, and preparing for the closure of Westside Bank of Southern California, two of the sixteen California banks that failed in 1993. Those were truly dark days in California banking, and in every case the failures were attributable to the sharp and prolonged downturn in the real estate market. For those who survived in the industry from 1992 to 1995, difficult lessons were learned, and new ways of managing risk were adopted.

Different types of commercial real estate credits have different risk factors. Terrorism fears can have a dramatic effect upon hotel/motel credits, but minimal adverse effect upon strip malls; a collapse in the Dot.com industry can leave millions of vacant square feet of space in the San Francisco Bay area, but not effect demand for equivalent space in the Inland Empire of Southern California; what are the sources for commitments for permanent financing on your construction loans, and how reliable are they. The first step of managing your risk is to segment your real estate loan portfolio by type of property and location, and identifying those with a high level of risk for a specific risk factor. This risk assessment should be discussed with the board of directors, and comprehensive policy of risk diversification adopted.

All concentrations should be avoided when possible, however, like a twisting stretch of mountain road there are sometimes no adequate alternatives. Even if you determine that your market precludes avoiding a high level of real estate related credit exposure, there are still a number of things which you should be doing to manage and mitigate that risk. The first step of risk management is always the determination of how much risk you have already accepted.

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Consumer Compliance

(415) 263-8500
(213) 897-2085
(916) 322-5966
(858) 642-4242
(800) 622-0620

DFI-sponsored Legislation Signed by the Governor

The Department of Financial Institutions sponsored three bills during the 2003 legislative session. All three bills were signed by the Governor in September and have been chaptered into law, effective January 1, 2004. Summaries and links to the chaptered versions of these bills follow:

AB 1355 (Chapter 445, Statutes of 2003): **Financial Institutions.**

This bill authorizes the Commissioner of Financial Institutions to impose civil money penalties for acts that violate applicable laws relating to financial institutions.

http://www.leginfo.ca.gov/pub/bill/asm/ab_1351-1400/ab_1355_bill_20030922_chaptered.pdf

AB 1774 (Chapter 404, Statutes of 2003): **Financial Institutions.**

This bill makes various clean up changes to certain sections of the Financial Code as administered by the Department. Among other provisions, this bill amends Financial Code Section 772 to set the same standards, both in statute and regulation, for banks' and trust companies' investments in limited liability companies and business trusts, or other similar business organizations as they currently have for corporations. Also, the bill amends Financial Code Section 3375.5 to relieve state-chartered banks from a prohibition involving transactions for family trusts that does not exist for their federal counterparts.

http://leginfo.ca.gov/pub/bill/asm/ab_1751-1800/ab_1774_bill_20030917_chaptered.pdf

AB 1775 (Chapter 456, Statutes of 2003): **Money Transmitters Abroad.**

This bill increases shareholders' equity for a Transmitter of Money Abroad from \$250,000 to \$500,000.

http://leginfo.ca.gov/pub/bill/asm/ab_1751-1800/ab_1775_bill_20030922_chaptered.pdf

New Spanish Language Brochure

On September 17, 2003, the Department of Financial Institutions (DFI) released *Información para Clientes de Instituciones Financieras del Estado*, a Spanish version of its English-language brochure *Information for Customers of State Financial Institutions*. The Spanish translation is the second non-English consumer publication offered by the DFI. The new brochure provides information on financial institution regulators along with contact information. Steps to file a consumer complaint are also provided. *Información para Clientes de Instituciones Financieras del Estado* is also available on the DFI Web site, on the Consumer Services page and also on the Press and Publications page. Information about ordering printed copies of DFI publications is available on the same site at <http://www.dfi.ca.gov/consumer/brochures.asp>.

Trust Call Report Forms now Distributed from DFI Web Site

Completed reports may be filed by Email

The Department of Financial Institutions (DFI) is using the Web and email to distribute information to and receive information from its licensees and other reporting institutions. In keeping with this policy, trust companies, trust departments of state chartered banks and national banks, federal savings banks and foreign (other state) banks authorized to engage in the trust business will no longer receive hard copy call report forms and diskettes. These institutions will now be able to download, store and print the call report forms in Excel format from the DFI Web page, and submit their reports as email attachments starting with the Third Quarter 2003 Call Report. Instructions for preparation of the reports are also on the DFI Web site in PDF format.

Letters explaining how to download, prepare and return the forms were mailed to all reporting institutions on September 30, 2003. Interested persons should visit the forms site on the DFI Web site at <http://www.dfi.ca.gov/forms/> or contact Patrick Carroll at (415) 263-8559 or by email at pcarroll@dfi.ca.gov for more information.

CSBS to Sponsor State Banking Summit and Leadership Conference in Washington, DC

On November 5th and 6th, the Conference of State Bank Supervisors (CSBS), is sponsoring a State Banking Summit and Leadership Conference that will bring together a variety of leading banking industry speakers on hot button issues. Topics that will be covered include:

- expanded powers available to state chartered banks;
- a general counsel panel featuring the FDIC, Federal Reserve and CSBS;
- a frank discussion about the steps states are taking to ensure the state charter remains the primary choice in the nation's dual banking system.

The summit will be held at the Wyndham Hotel in Washington DC. The cost of the Summit and Leadership Conference is \$350, which includes a networking reception scheduled on November 5th, featuring leadership from the FDIC, Federal Reserve, and CSBS Chairman Mick Thompson. The program itself will take place on November 6th and will feature influential speakers including Dr. Gregory Mankiw, Chairman of President Bush's Council of Economic Advisors.

In order to spark the most diverse and productive discussions, we are inviting financial institution attorneys, trade association representatives for financial services – both in Washington and in the states, state bank department regulators and their counsel, federal banking regulators, bank consultants, bankers, and other associations and thought leaders with a vested interest in the dual banking system. Similarly, our speakers reflect individuals from this diverse cross section of financial industry professionals.

We hope you will consider attending this unique program and networking opportunity. I have included a [working agenda](#) and [registration form](#). If you have any questions about the program, please contact CSBS at (800) 886-2727.

Commercial Bank Activity

New Banks

Bay Business Bank

1280 Civic Drive, Walnut Creek, Contra Costa County

Correspondent: Maryam Hamzeh

Carpenter & Company

5 Park Plaza, Suite 950

Irvine, CA 92614

Phone: (949) 261-8888

Withdrawn: 9/22/03

Pacific City Bank

3701 Wilshire Boulevard, Suite 100, Los Angeles, Los Angeles County, 90010

(213) 210-2000

Officers: Jung C. Chang, President & Chief Executive Officer

John J. Kennedy, Executive Vice President & Chief Operating Officer

Daniel A. Graff, Chief Financial Officer

Henry Kim, Chief Credit Officer

Capitalization: \$17,875,000

Opened: 9/18/03

Santa Cruz County Bank

Near the intersection of Soquel Avenue and Ocean Street, Santa Cruz, Santa Cruz County

Correspondent: Grace Wickersham

Carpenter & Company

Five Park Plaza, Suite 950

Irvine, CA 92614-8527

Phone: 949-261-8888

Approved: 9/5/03

Conversion to State Charter

Mission Community Bank, N.A. San Luis Obispo, to convert from a national bank to a state-chartered bank under the name Mission Community Bank

Filed: 7/29/03

Mergers

Arlington National Bank, Arlington, Texas, with and into Wilshire State Bank, Los Angeles
Approved: 9/15/03

General Bank, Los Angeles, with and into Cathay Bank, Los Angeles
Approved: 9/5/03

Kaweah National Bank, Visalia, with and into Citizens Business Bank, Ontario
Effectuated: 9/19/03

Modesto Commerce Bank, Modesto, with and into Bank of Stockton, Stockton
Filed: 9/9/03

Ojai Valley Bank, Ojai, with and into Mid-State Bank & Trust, Arroyo Grande
Approved: 9/17/03

Acquisition of Control

Betty Leonard and Harold Williams, to acquire control of Whittier Trust Company, South Pasadena
Approved: 9/19/03

Heritage Oaks Bancorp, to acquire control of Hacienda Bank, Santa Maria
Approved: 9/11/03

Sweeney Family Trust, to acquire control of First Regional Bank, Los Angeles
Filed: 9/29/03

Western Sierra Bancorp, to acquire Auburn Community Bank, Auburn
Filed: 9/22/03

Yong Oh, to acquire control of Uniti Bank, Buena Park
Approved: 9/11/03

Premium Finance Company Activity**New Premium Finance Companies**

Capitol Payment Plan of California, Inc.
21820 Burbank Boulevard, Suite 300, Woodland Hills, CA 91367
Opened: 9/25/03

ING Finance
2780 Skypark Drive, Suite 300, Torrance, Los Angeles County
Filed: 9/3/03

New Premium Finance Companies – (Continued)

MW Premium Finance Corp.
5480 Baltimore Drive, Suite 205, La Mesa, San Diego County
Filed: 9/3/03

Professional Premium Finance Corporation
2501 E. Chapman Ave., Suite 100, Fullerton, Orange County
Filed: 9/5/03

Standard Funding of California, Inc.
135 San Leandro Way, San Francisco City and County
Filed: 8/15/03

U.S. Capital Associates of California, Inc.
21820 Burbank Boulevard, Suite 300, Woodland Hills, Los Angeles County
Opened: 9/23/03

Acquisitions of Control

Hudson United Bank, to acquire control of FPCAL, Inc., Woodland Hills
Filed: 8/25/03

Hudson United Bank, to acquire control of Westchester Premium Acceptance Corporation of California,
Woodland Hills
Filed: 8/25/03

Priority One Premium Finance, Inc. (AZ), to acquire control of Priority One Premium Finance, Inc.
Fullerton
Filed: 7/31/03
Approved: 9/19/03

Foreign (Other State) Bank Activity**New Facility**

Crescent Bank & Trust (Facility – Insured Bank)
4614 Sheridan Road, Oceanside, San Diego County
Notified: 9/18/03

Discontinuance of Facility Office

Offitbank
150 California Street, 20th Floor, San Francisco, San Francisco County
Notified: 9/9/03
Discontinued: 7/1/03

Credit Union Activity

Mergers

Coastline Community Credit Union, Long Beach, into Orange County's Credit Union, Santa Ana
Approved: 9/3/03

Gentelco West Federal Credit Union, Long Beach, into Pacific Community Credit Union, Fullerton
Approved: 9/2/03

Sacramento County Grange Federal Credit Union, Sacramento, into Church/Co-op Credit Union,
Sacramento
Filed: 9/24/03

Change of Name

Church/Co-Op Credit Union to change its name to Capital City Credit Union
Filed: 9/26/03

Nazarene Credit Union to change its name to America's Christian Credit Union
File: 5/27/03
Approved: 8/27/03
Effected: 9/16/03

Field of Membership

Ten credit unions received approvals to add 24 new fields of membership during August 2003.

Bylaw Amendment

Two credit unions received approval for two bylaw amendments during August 2003.

Amendment of Articles of Incorporation

Fifteen credit unions received approvals for 15 amendments of articles of incorporation during August 2003.

Transmitter of Money Abroad Activity

New Transmitter

G&T Continental Transferencias Mundiales, Inc.

Approved: 9/18/03

Bancomercio de El Salvador, Inc.

Licensed: 9/25/03

DONALD R. MEYER

Commissioner of Financial Institutions

Bulletin for Month ended
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to Financial Code, Section 258



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